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SUBJECT: USTR REINVIGORATES TIFA WITH MOZAMBIQUE

¶1. (SBU) SUMMARY: In a September 28 to October 1 visit, USTR Director for African Affairs Bill Jackson met with a variety of government and private sector stakeholders in Maputo to reinvigorate the bilateral Trade and Investment Framework Agreement (TIFA). The second high-level Trade and Investment Council meeting under the TIFA is now tentatively scheduled to take place in Washington in the first quarter of ¶2009. Jackson heard private sector concerns about Mozambican exporters' inability to meet the product standards and volumes required to export to the U.S. He also heard frustration from the private sector over the slow progress of reforms to the business climate. U.S.-based NGO TechnoServ provided a more positive perspective on export potential for wood and wood products as well as tropical fruits. Continuing bilateral dialogue through the TIFA process could streamline the Government of Mozambique's (GRM's) economic development strategy in relation to trade and strengthen AGOA-related trade and investment in the future. END SUMMARY.

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USTR TALKS TIFA  
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¶2. (SBU) In his late-September visit to Maputo, Bill Jackson explained that USTR interest in Mozambique and the USG assistance program there derives from its general objective of helping developing countries, especially LDCs, to use trade to boost economic growth and development as well as the country-specific objective of strengthening U.S.-Mozambique trade and investment relations under the TIFA. The U.S. has just 10 TIFAs with sub-Saharan African countries and regional organizations, agreements that Jackson explained we typically undertake only with significant trading partners and those, such as Mozambique, in which the U.S. sees particular potential for trade-driven economic growth.

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MINISTER AGREES TO NEXT TIFA MEETING  
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¶3. (SBU) In a September 30 meeting with Minister of Industry and Commerce Antonio Fernando, the Charge and Jackson pushed for a reinvigoration of the TIFA process as a means to help Mozambique generate greater economic growth and development through trade. Minister Fernando agreed to commit new energy to the TIFA process and agreed in principle to lead a high-level GRM delegation to Washington for a Trade and Investment Council meeting in the first quarter of 2009. Jackson in turn agreed to work with Washington agencies to develop a draft agenda by the end of November at which point a specific date for the 2009 Trade and Investment Council meeting will be finalized.

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14. (SBU) Millennium Challenge Account (MCA) Mozambique Deputy Director Emilio Muchanga, told Jackson that the 5-year \$507 million Millennium Challenge compact focuses in part on supporting exportable products, as well as expanding trade-enabling infrastructure in northern Mozambique. Muchanga voiced concerns that Mozambican products cannot meet high U.S. market standards and volume requirements, calling for technical assistance, particularly in SPS and standards certification, for Mozambican products. Jackson suggested that Mozambique look to capture niche markets in the U.S. and noted that AGOA provides incentives for Mozambique to move up the product value chain.

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BUSINESS COMMUNITY DOWN ON AGOA TRADE

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15. (SBU) Jackson met with members of the Mozambican-American Chamber of Commerce who voiced similar concerns about standards and volumes of exports required to compete in the U.S. market. The business community indicated that Mozambique would need significant trade capacity building assistance (TCB) in order to take advantage of AGOA. Kekobad Patel of the business association umbrella group CTA told Jackson that Mozambique exported very few value-added products due to weak internal capacity, a restrictive business environment, and high transportation costs. Patel warned that even tariff integration into SADC will be challenging, as Mozambique has little political space to

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diverge from the South African trade agenda. Patel also expressed frustration at the GRM's inability to accelerate reform of the business environment.

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TECHNOSERV ON AREAS OF EXPORT POTENTIAL

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16. (SBU) Jake Walter, country director for the nonprofit organization TechnoServ, provided a more optimistic perspective on the potential for export-driven economic growth in Mozambique. Waller cited a recent FAO study which indicates that, with its vast tracts of arable land (89 million acres of arable land of which only 10 percent is currently being used), Mozambique has the potential to plant seven million acres of eucalyptus and pine plantations, potentially generating \$10 billion in revenues and creating 300,000 jobs. This would make Mozambique the second largest wood and wood product producer in Africa. Waller also believes that northern Mozambique shows great potential for tropical fruit exports, with U.S. company Chiquita planning to begin planting 7,400 acres in Nampula province next year, with an eye on duty-free importation of bananas to the EU market via the Everything But Arms (EBA) initiative by 2010. This consistent export of bananas should provide sufficient shipping infrastructure from the Port of Nacala to allow tropical fruit exports to the Middle Eastern and Indian markets. According to Waller, there is also great potential for export of mangoes to India to meet off-season demand there.

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COMMENT: TIFA - OPPORTUNITY TO PUSH REFORMS

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17. (SBU) Post is focused on using the TIFA as an organizing mechanism to streamline both the Mission's and the GRM's economic development strategies with respect to trade, and we are pressing the the GRM to involve the private sector more fully in its strategic planning. It seems clear that Mozambique can use trade more effectively to boost economic development, eradicate poverty, and meet Millennium

Development goals. The Mission will support USTR's goals of using the TIFA process to cultivate some AGOA success stories for Mozambique and support GRM efforts to push through reforms to improve the business and investment climate.

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